

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

October 19, 2001

Committee

Report No. 01-189

Honorable Chair and Members
of the County Council
County of Maui
Wailuku, Maui, Hawaii

Chair and Members:

Your Budget and Finance Committee, having met on October 2, 2001, makes reference to County Communication No. 01-258, from the Mayor, transmitting the following:

1. A proposed resolution entitled "APPROVING COST ITEMS FOR EXCLUDED MANAGERIAL EMPLOYEES".

The purpose of the proposed resolution is to approve the cost items and adjustments for Excluded Managerial (EM) employees (described below).

2. SUMMARY OF COST ITEMS FY 2000-2003.

This document provides a summary of the EM employees' cost items, which total \$477,736 for Fiscal Year 2002 and \$806,808 for Fiscal Year 2003. The additional costs are for wages, including fringe-benefit costs representing expenses that automatically increase when base salaries increase (e.g., FICA, Medicare, Unemployment Compensation, Employees' Retirement System contribution, and Workers' Compensation).

3. SUMMARY OF PAY ADJUSTMENT FOR EXCLUDED MANAGERIALS.

This document provides a summary of the pay adjustments for EM employees, which emulate similar adjustments that were awarded to the Hawaii Government Employees Association (HGEA), Bargaining Unit 13, Professional and Scientific employees, for the period July 1, 1999 to June 30, 2003. The indicated pay adjustments, approved by the Conference of Personnel Directors, are as follows:

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<u>Effective Date</u>	
7/2/01	4 % across-the-board salary increase
7/2/01 - 6/30/02	Complete "shredding" phase Within range progression increase not to exceed the employees' maximum pay range rate
7/1/02	5% of payroll for pay for performance increase

Your Committee notes that County Communication No. 01-258 was transmitted in accordance with the Hawaii Revised Statutes (HRS) Section 89C-5 and 89C-2(2), which requires pay adjustments to be subject to approval or rejection by the legislative body of each county.

At its meeting, your Committee met with the Director of Personnel Services, the Budget Director, and a Deputy Corporation Counsel.

The Budget Director informed your Committee that a 5 percent increase was reflected for the EM employees for pay adjustments in the Budget for Fiscal Year 2002 under Countywide costs.

The Director of Personnel Services presented an overview of the cost items. According to the Director, HRS Section 89C-2 provides that adjustments to the EM employees' compensation plan shall not be less than those provided under collective bargaining to officers and employees in the professional and scientific employees bargaining unit (HGEA Bargaining Unit 13). However, the Director pointed out that effective July 2002, 5 percent of the payroll is set aside for "pay for performance". Management will then have the ability to reward those employees performing at a higher level and withhold an increase for those performing at a lower level. He further indicated that a positive outcome of this change will be more timely submittals of performance evaluations.

The Director of Personnel Services stated that one of the requirements of performance pay is to provide the employee with the performance measures that the employee must accomplish in order to attain more than a satisfactory performance level. Supervisors will have the ability to reward employees with pay increases of 5 percent. Moreover, if an employee is not performing at a

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satisfactory level, the Supervisor will have the option to apply the 5 percent increase to another employee who may be demonstrating outstanding performance, resulting in a pay increase for that employee of 10 percent. He further noted that the measures will be tied to the County's overall goals and objectives.

Your Committee expressed concerns that there is no criteria for performance measures and that performance evaluations have not been completed for the majority of the EM employees.

The Director of Personnel Services clarified that, based on the current law, the increases for this year are not merit increases. Merit increases, which are based upon performance, will become effective in July 2002.

Your Committee further noted that the County is restricted from negotiating a reduction in labor costs as a result of the way the current State law is written. It was pointed out that if the Council were to disapprove of the cost items, a similar or identical package would be transmitted again for approval.

After further discussion, your Committee voted to recommend adoption of the proposed resolution and filing of the communication.

Your Committee is in receipt of a revised proposed resolution entitled "APPROVING COST ITEMS FOR EXCLUDED MANAGERIAL EMPLOYEES". The revised proposed resolution inserts the County Communication number (01-258) in the first paragraph.

Your Budget and Finance Committee RECOMMENDS the following:

1. That Resolution No. _____, as revised herein and attached hereto, entitled "APPROVING COST ITEMS FOR EXCLUDED MANAGERIAL EMPLOYEES" be ADOPTED; and
2. That County Communication No. 01-258 be FILED.

Adoption of this report is respectfully requested.

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G. RIKI HOKAMA **Chair**

PATRICK S. KAWANO **Member**

ALAN M. ARAKAWA **Member**

MICHAEL J. MOLINA **Member**

ROBERT CARROLL **Member**

WAYNE K. NISHIKI **Member**

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CHARMAINE TAVARES **Member**

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